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Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08
FRB-03 INR-10 NSAE-00 SP-02 STR-07 TRSE-00 LAB-04
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TO SECSTATE WASHDC 7882
INFO ALL EC CAPITALS

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USEEC

E.O. 11652: N/A
TAGS: EEC, ELAB, IND, EGEN
SUBJ: EC COMMISSIONER PROPOSES "SOCIAL AIDES" FOR WORK-
SHARING AS PART OF RESTRUCTURING IN STEEL INDUSTRY

1. THE EC STEEL INDUSTRY, WHICH LOST 60,000 JOBS IN THE PAST TWO AND A HALF YEARS, IS IN DANGER OF LOSING 40,000 TO 80,000 MORE BY 1980, ACCORDING TO ESTIMATES OF THE EC COMMISSION. THE TIME HAS COME TO ADOPT NEW MEASURES TO COPE WITH THE STEEL INDUSTRY'S EMPLOYMENT CRISIS, ACCORDING TO EC COMMISSION VICE PRESIDENT VREDELING, WHO IS COMMISSIONER FOR EMPLOYMENT AND SOCIAL AFFAIRS.

2. THE EUROPEAN COAL AND STEEL COMMUNITY (ECSC) ALREADY HAS A WIDE RANGE OF SPECIAL MEASURES DESIGNED TO CUSHION THE IMPACT OF UNEMPLOYMENT AND UNDEREMPLOYMENT--INCLUDING RETRAINING PROGRAMS, ALLOWANCES TO WORKERS FOR MOVING TO A NEW JOB, AND ALLOWANCES TO EMPLOYERS TO KEEP UNDEREMPLOYED WORKERS ON THE PAYROLL TEMPORARILY. SUCH BENEFITS ARE NO LONGER ADEQUATE TO TODAY'S SITUATION, SAYS VREDELING.
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3. VREDELING HAS PRESENTED HIS VIEWS IN A PAPER TITLED "SOCIAL ASPECTS OF STEEL POLICY," WHICH THE COMMISSION HAS ADOPTED AS A WORKING DOCUMENT. COMMISSION HAS SENT THE DOCUMENT TO THE ECSC LABOR-MANAGEMENT CONSULTATIVE COMMITTEE IN LUXEMBOURG FOR COMMENTS, AND AFTER RECEIVING THEM WILL FORMULATE ITS OWN FINAL PROPOSALS FOR PRESENTA-

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TION TO THE EC COUNCIL OF MINISTERS.

4. VREDELING MAKES THE CASE THAT CURRENT SOCIAL AIDS IN THE STEEL INDUSTRY HAD PREVIOUSLY BEEN MORE OR LESS ADEQUATE BECAUSE UNTIL RECENTLY MOST JOB LOSSES HAD BEEN ABSORBED BY A HALT IN RECRUITMENT, NORMAL TURNOVER, AND SOME EARLY RETIREMENTS. BUT THE SITUATION TODAY IS DIFFERENT BECAUSE UNEMPLOYMENT IS CUTTING DEEPER, SAYS VREDELING. ALSO, VOCATIONAL RETRAINING IS OF LITTLE USE IN TODAY'S ECONOMIC CIRCUMSTANCES, BECAUSE EVEN AFTER BECOMING RETRAINED THE WORKER CANNOT FIND A JOB.

5. "THE PRESENT CRISIS," SAYS VREDELING'S PAPER, "MAKES IT NECESSARY TO EXPLOIT TO THE MAXIMUM, WITHIN BUDGETARY LIMITS, ALL THE POSSIBILITIES OFFERED BY THE COAL AND STEEL TREATY" (WHICH HAS A MUCH BROADER MANDATE IN THE SOCIAL AREA THAN DOES THE EEC TREATY). VREDELING PROPOSES THAT THE STEEL INDUSTRY CONSIDER THE FOLLOWING MEASURES TO DEAL WITH THE CRISIS:

-- REDUCE THE RETIREMENT AGE AT WHICH WORKERS WOULD BE ELIGIBLE FOR THEIR PENSIONS (NO SPECIFIC AGE IS MENTIONED.

-- LIMIT OVERTIME HOURS.

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-- REDUCE THE LENGTH OF THE WORKWEEK.

-- DIVIDE UP EXISTING WORK THROUGH, FOR EXAMPLE, ADDITION OF A FIFTH SHIFT.

6. VREDELING ACKNOWLEDGES THAT SUCH MEASURES WILL PROBABLY IMPOSE A "SUPPLEMENTARY WAGE COST UNCOMPENSATED BY INCREASED PRODUCTIVITY," AND THAT THEREFORE STEEL EMPLOYERS WHO ADOPT WORK-SHARING MEASURES WOULD HAVE A CLAIM FOR SUBSIDIES FROM THE ECSC AND MEMBER STATES. ON THE OTHER HAND, UNEMPLOYMENT COMPENSATION IS COSTLY TOO, VREDELING POINTS OUT (BUT HIS PAPER MAKES NO COST COMPARISONS).

7. THE WORK-SHARING SUBSIDIES WOULD NOT BE LONG TERM BUT ONLY FOR A TEMPORARY PERIOD, VREDELING TOLD A PRESS CONFERENCE JULY 11, BUT HE DID NOT SPECIFY HOW TEMPORARY. NOR DID HE PROVIDE ANY ESTIMATES OF THE COST OF HIS PROPOSALS.

8. COMMENT. VREDELING SEES HIS PLAN FOR STEEL AS A FORERUNNER OF SIMILAR ONES FOR OTHER DISTRESSED INDUSTRIES, SUCH AS SHIPBUILDING AND TEXTILES, BUT THAT LOGIC MAY

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ARGUE AGAINST THE PLAN'S BEING SERIOUSLY CONSIDERED EVEN FOR STEEL. MOREOVER, SOME OBSERVERS OF COMMUNITY STEEL INDUSTRY ARGUE THAT MANY ELEMENTS OF VREDELING'S WORK-SHARING PROPOSAL, E.G., ADDITION OF A "FIFTH SHIFT," HAVE NOTHING TO DO WITH ONE OF THE MAJOR PROBLEMS WITH THE STEEL INDUSTRY'S WORK FORCE, WHICH IS OVER-STAFFING AMONG WHITE COLLAR STAFF.

9. THE COMMISSION RECOGNIZES THAT A NECESSARY CONDITION OF ADEQUATE STRUCTURAL ADJUSTMENT IN THE EC STEEL INDUSTRY IS THE ABILITY TO PROVIDE NEW JOBS FOR DISPLACED WORKERS. IT ORIGINALLY SUPPORTED THE IDEA THAT THIS BE DONE BY ENCOURAGING NEW INDUSTRIES -- AUTOMOTIVE, FOR INSTANCE --

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C O R R E C T E D C O P Y (CLASSIFICATION - LIMITED OFFICIAL USE VICE CONFIDENTIAL)

TO SET UP IN STEEL-PRODUCING AREAS. NOW, RECOGNIZING THE UNLIKELIHOOD OF SUCCESS BY THIS METHOD, THE COMMISSION IS SEARCHING FOR NEW IDEAS TO FOSTER ADJUSTMENT IN THE STEEL INDUSTRY (AND HOPEFULLY OTHERS). NEVERTHELESS, APART FROM VREDELING, WORK-SHARING SCHEMES SEEM TO HAVE LITTLE SUPPORT WITHIN THE COMMISSION BECAUSE OF THEIR POSSIBLE DAMPENING EFFECT ON INVESTMENTS. HINTON

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